mahindra LOGISTICS

**Mahindra Logistics Limited**
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CIN: L63000MH2007PLC173466

Ref: MLLSEC/18/2023

8 February 2023

To,

| **BSE Limited,** | **National Stock Exchange of India Ltd.,** |
|---|---|
| **(Security Code: 540768)** | **(Symbol: MAHLOG)** |
| Phiroze Jeejeebhoy Towers, | Exchange Plaza, 5th Floor, Plot No. C/1, |
| Dalal Street, Fort, | "G" Block, Bandra-Kurla Complex, Bandra (East), |
| Mumbai - 400 001 | Mumbai – 400 051 |

Dear Sirs,

**Sub: Transcript of Earnings Conference Call - Regulations 30 & 46 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations")**

**Ref: Intimation of earnings conference call vide letter dated 24 January 2023; and Outcome and audio recording of earnings conference call dated 2 February 2023**

We refer our intimation dated 24 January 2023 informing the schedule of the earnings conference call with several Analysts/Institutional Investors/Funds on the Financial Results of the Company for the quarter and nine months ended 31 December 2022 held on Thursday, 2 February 2023 ("Q3 & 9M FY23 earnings call").

The outcome and audio recording of the Q3 & 9M FY23 earnings call was submitted by the Company vide letter dated 2 February 2023 and uploaded on the website of the Company.

Further to the above referred letters and in compliance with Regulation 30(6) read with Para A(15)(b) of Part A of Schedule III and other applicable provisions of the SEBI Listing Regulations, please find enclosed the transcript of the Q3 & 9M FY23 earnings call of the Company held on Thursday, 2 February 2023.

The transcript includes list of management attendees and the dialogues including but not limited to the presentation, the Q&As', any assents /dissents and open points and is also uploaded on the website of the Company at the weblink given below.

Weblinks:

| | |
|---|---|
| Audio Recording | https://mahindralogistics.com/wp-content/uploads/2023/02/SGP7620230202145249.mp3 |
| Transcript | https://mahindralogistics.com/wp-content/uploads/2023/02/MLL_Transcript_Q3FY23F.pdf |

No Unpublished Price Sensitive Information was shared/discussed by the Company during the earnings conference call.

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This intimation will also be uploaded on the website of the Company and can be accessed at https://mahindralogistics.com/disclosures-under-sebi-regulation-46/

Kindly take the same on record.

Thanking you,
For **Mahindra Logistics Limited**

**Ruchie Khanna**
**Company Secretary**

# "Mahindra Logistics Limited

# Q3 & 9M FY '23 Earnings Conference Call"

## February 02, 2023

**Mr. Rampraveen Swaminathan, Managing Director & CEO and Mr. Yogesh Patel, Chief Financial Officer represented the Company at the earnings conference call and the question & answer session.**

**The following members of the leadership team of the Company were also present on the earnings conference call:**

- **Mr. Sushil Rathi – Chief Operating Officer – Transportation And Freight Forwarding;**
- **Mr. Ankur Singhai – Head E-commerce Business and Last-Mile Delivery Business;**
- **Ms. Mansi Nagri – Head Marketing and Communication;**

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchanges — BSE Limited and National Stock Exchange of India Limited and the Company website on 2nd February 2023 will prevail

**Moderator:** Ladies and gentlemen, good day, and welcome to the Mahindra Logistics Limited Q3 FY '23 Earnings Conference Call. As a reminder all participants are only on listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Shogun Jain from SGA. Thank you, and over to you, sir.

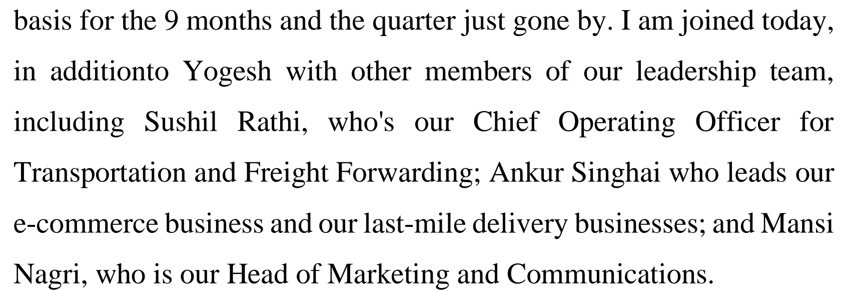
**Shogun Jain:** Thank you. Good evening, everyone, and thank you for joining us on the Mahindra Logistics Limited Q3 FY '23 Earnings Conference Call. We have Rampraveen Swaminathan, MD and CEO; and Mr. Yogesh Patel, CFO of the company. I hope everyone has had a chance to view our financial results and investor presentation, which were recently posted on the company's website and stock exchange. We will begin the call with opening remarks from the management, followed by an open forum for Q&A.

Before we begin, I would like to point out that some statements made during today's call may be forward-looking in nature and a disclaimer to that effect has been included in the earnings presentation that was shared with you earlier.

I now invite Ram, the MD and CEO of Mahindra Logistics Limited to make some preliminary remarks.

**Rampraveen Swaminathan:** Good afternoon, everyone. Thank you, Shogun. Thank you for joining us, and welcome to our Third Quarter Earnings Call. I trust all of you had a chance to look at our presentation, the financial results which are available on the stock exchange and our company's website.

As always, we'll cover some highlights on the external environment, some operating commentary on the businesses, our recent customer acquisitions and our segment performance before I share some highlights for financial performance on a standalone and consolidated



basis for the 9 months and the quarter just gone by. I am joined today, in additionto Yogesh with other members of our leadership team, including Sushil Rathi, who's our Chief Operating Officer for Transportation and Freight Forwarding; Ankur Singhai who leads our e-commerce business and our last-mile delivery businesses; and Mansi Nagri, who is our Head of Marketing and Communications.

So let me just jump in quickly, starting with an overview of the logistics sector itself. As you all know, the government has set up a goal of making the country a $5 trillion economy in the next few years. Cost of operation remains a fundamental challenge and one of the biggest stumbling blocks is the high cost of logistics; when compared to other advanced economies, India is at 13% to 14% of GDP in terms of logistics cost is much higher, making business operations less competitive. India is also an aberration when it comes to multimodal logistics infrastructure, the global average for road transportation is 25%, and 60% of cargo in most advanced countries is handled by railways. On the other hand, only 30% of our country's logistics movement happens by railways, while road accounts to between 60% to 65% of transportation requirements.

Waterways have a nominal share of less than 5% and these are among the factors which drive the higher logistics cost, which ultimately impacts the margins and competitiveness of the Indian industry both domestically and in terms of exports. A critical lever, which the government has obviously identified, is the need to automate logistics. There is a need to integrate automation and similar technologies into the logistics sector, , in a far more comprehensive way. This will help truckers especially and warehousing and other infrastructure, improve their overall efficiency and price competitiveness.

Furthermore, there is a strong need to improve the workforce's skill set and access to cutting-edge technological solutions. The unorganized sector and its players account for approximately 85% of the Indian logistics market. And a great example of this is the trucking industry, where roughly 80% to 85% of operators w have 5 or fewer vehicles

in their fleets. This prevents them, obviously, from getting economies of scale or driving more towards newer technologies.

The national logistics policy in some part or in great measure was released by the government with an attempt to address some of these problems and other problems associated with this sector. This policy would help bring down the logistics costs by 5% of GDP over the next 5 years, bringing down from around 13% to 14% to around 8% to 9% of GDP. To achieve these objectives, the policy has identified 4 major steps that must be implemented through the CLAP, which includes Integration of Digital Systems, Unified Logistics Interface Platform, Ease of Logistics and the System Improvement Group. The policy promotes economic growth and the creation of employment opportunities in the logicstics sector which is an important step towards making India's manufacturing sector as or more competitive, globally.

In the context of some of these policy changes, I think it's been heartening to see that the budget announced yesterday by the honorable finance minister extends the policy framework. We welcome the budget as it focuses on sustainable growth and infrastructure development, announcement of setting up of the Urban Infrastructure Development Fund for Tier 2 and Tier 3 cities is likely to provide a much needed boost for smoother and faster logistics transportation and will further ensure greater connectivity in these locations.

Identifying 100 critical transport infrastructure projects will have a positive impact and a multiplier effect on the nation's last and first mile connectivity. Additionally, the announcement of 50 new airports and associated infrastructure will enhance regional air connectivity across the country. The highest-ever allocated capital outlay to the Indian Railways will hopefully add to greater and smoother connectivity between different points of the country, and an easy and faster freight moment. I think all of these augured well for the sector in the long

term. And we look forward to further (details on the) policy initiatives that support those announced by the finance minister yesterday.

Let me talk a bit about our key end markets, especially in terms of the quarter which has gone byand 'll begin, as always, with the automotive industry. Overall, the auto industry has experienced far lesser supply chain disruptions recently as we have seen increased availability of semiconductor chips and related components. While passenger vehicles side has continued to demonstrate strong traction, especially SUVs. Commercial vehicles and 2-wheelers are still 27% and 16% lower than the respective 2018 volumes. The proportion of passenger volumes comprised of SUVs is increasing steadily and is projected to reach approximately 50% in 2022, up from 36% in 2020.

In India, the global shift towards electric vehicles has also started playing out and it is likely that 2-wheeler, 3-wheeler and passenger vehicles will see a rapid shift towards EVs in the next 1 to 3 years with a suite of the new announcement by OEMs in that direction. We clearly see that shift already happening in the intra-city cargo space, where there's a precipitative shift towards electric vehicles across all our customer segments.

The recently concluded auto expo continues to emphasize the growth of the sector with an increased focus on new products, electric vehicles, and hydrogen technologies. During the quarter, our volume from auto customers, including M&M and other OEMs, showed strong traction and we expect this to continue going forward.

Moving on to the farm sector, the festive season has contributed to a strong momentum in demand for tractors and farm equipment. The sowing of rabi crops seems to have progressed well and currently, the total acreage under acreage covered is more than not just higher than the previous year but higher than the average of 5 prevailing years, and preceding years as well. It is anticipated that harvest of wheat and oilseeds will show strong growth. With increased rabi sowings, strong, good kharip procurement and expected wheat exports, we remain

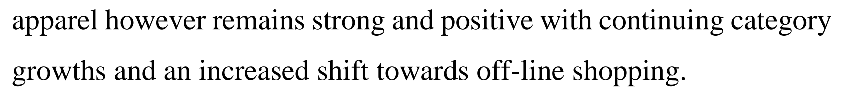
optimistic for the demand outlook from this sector for our business. During this quarter, we have continued to expand multimodal railways movement for our OEM customers in the ag-segment.

I'll now move on to the more consumption-driven markets we have, including e-commerce I think sale of online platforms and digital-related businesses have grown exponentialy over the last 5 years as a result of both increased adoption policy reforms and the recent pandemic. While long-term macros remain very positive, the recent festive season did not demonstrate the anticipated growth we expected in the sector. There were lower volumes in most categories despite the higher value of the merchandise.

Large capacity additions in the past 24 months have also created a capacity overhang, driving focus around capacity optimization, especially the mid-mile by most of our customers. As a result of the consolidation and slower growth, there is a reduction in network scope or rationalization of sites. And during the last quarter, we had very few temporary flex or pop-up sites, as we call them. We expect this sluggishness to continue through the next few quarters until the next festive season or Diwali season in late 2023.

In terms of FMCG, durables and pharma, demand for these industries remains fairly stable. However, demand for durables was a bit slower during the quarter after the festive season, largely because of the impact of high inflation on consumers in rural areas. There have also been higher pressure on pricing due to robust competition and commodity price corrections except for cooling, refrigeration, and cooling, where prices have gone up with recent regulatory changes around the BEE ratings.

Since real estate sales and capital expenditures in the industry have remained robust, some segments, like wires and cables, have continued to enjoy strong growth. FMCG demand growth has been muted with an increased focus from our customers on optimizing and consolidating the networks. However, demand from pharma and



apparel however remains strong and positive with continuing category growths and an increased shift towards off-line shopping.

Overall, it's been a mix of quarters. I think it's a tale of 2 stories, automotive and farm, and manufacturing, which has been positive, but some other sectors continued to see volume growth, but are also seeing the impact of recent capacity additions. In terms of what it means to our business, I'll cover a little bit of it by each of our key segments.

And let me begin with the third-party logistics business. As you all know, the third-party logistics business is primarily operated out of the holding company, which is Mahindra Logistics. During this quarter, we witnessed robust growth in auto and manufacturing, which offset for some slowness in some of the other segments, especially e-commerce.

Our continued strategy to focus on end-market diversification over the last few years has been a positive driver. In the last couple of years, we saw stronger growth in segments like e-commerce while auto was slow and in the more recent past, the recovery in auto is now allowing us to continue to drive revenue growth across these markets. We remain focused on the diversification of these segments and increasing the share of solutions which is now more than 20% of our total 3PL revenues and continued focus on cost-optimization has driven an uptick in gross margins in this segment, both sequentially and on a year-on-year basis.

During the year quarter, we continued to expand our 3PL logistics portfolio, especially focused on multi-client warehousing, with total warehousing space, excluding stockyards, was up 10% sequentially during the quarter at 15.3 million square feet. And over 20% of that capacity is now approximately 20% is carbon-neutral net zero facilities.

During the quarter, key events included in-plant logistics for a leading global commercial vehicle manufacturer, inbound manufacturing logistics solution for the leading luxury car manufacturer in the

country, expansion of our temp-controlled warehousing fulfillment for one of India's leading pharma companies, warehousing and distribution solutions for a leading personal care product and the launch of food and vegetable distribution for one of the country's largest grocery retailers. Despite some of the downturn, we continue to see an expansion across various segments in terms of demand for 3PL logistics services and solutions.

I'll now talk about freight forwarding, our second business segment. Freight forwarding is the largest part of our network services segment, as we call it. It has been a quarter of correction in this segment, global slowdowns and capacity overhangs have resulted in sharp pricing corrections, with ocean prices for both export and import for many Indians both 20- and 40-foot containers falling by as much as 70% to 75% during the last 2 months. Despite our focus on volume growth, we have not been able to offset this pricing correction in the quarter which just went by, and as a result, we have seen a sharp correction in revenue and profits for the quarter. However, we see this is a short-term correction and remain confident of volume growth in the next 6 months, which should drive a recovery in the business to historical levels.

On the positive side, our profitability remains strong as measured by gross margin percent and we continue to have strong pricing control and discipline in the segment. In addition, we have continued to optimize cash flows in the segment with a strong focus on corrections and that's reflected in the overall, debt level which was used to fund the business.

The B2B express business. During the quarter, we saw the completion of the acquisition of the B2B express business of Rivigo to a subsidiary called MESPL. In the first 60 days of the acquisition, our focus has been on driving a smooth transition and improving customer service levels, which we have achieved without any significant disruptions. Almost 90% of the customers have been transitioned successfully, and we've been able to improve our service levels on most of the critical

deals. We continue to operate the businesses in MLL and MESPL independently. But we are currently working towards network integration transport optimization, fully leveraging the technology across the express business.

In the quarter which just went by, the business did report a negative EBITDA, but we anticipate by the end of H1FY'24, the business will be positive and as we stand today, we are on track to the forecast we had given earlier. In the first quarter, as I said earlier, we did see the anticipated financial cost of acquisition and losses from continuing operations of the business. Commencing this quarter, we will start driving optimizations in the network and the flow should continue in the coming quarters. The acquisition significantly strengthens our integrated logistics portfolio and significantly expands our technology stack, and network coverage, to over 19,000 pin codes with over 12,000 pin codes being serviced directly.

Moving on to the last-mile delivery business, which is the smallest part of our network services segment. The last-mile delivery business grew by 5% year-on-year (on call inadvertently mentioned as 12%). We continue to expand in food commerce and other offerings such as same-day deliveries for multiple clients, and invest in expanding our micro fulfillment network and tech stacks. In addition, we have continued to focus on driving margin improvement in the segment. During the quarter, the eDeL electric vehicles services grew further with a total fleet of approximately 1,200 vehicles in 16 cities across the country.

Moving on to financial performance The consolidated financial performance for MLL and all its subsidiaries together, revenue for Q3 FY '23 increased by 17% on a year-on-year basis to INR 1,330 crores. Our supply chain management segment, which includes 3PL and network services, contributes 95% of our overall revenue. The mobility business contributed around 5% of our overall revenue. Gross margins at a fully consolidated basis stood at 9.9% in Q3 compared to 9% in Q3 of FY '22. EBITDA for the quarter stood at INR 68.3 crores,

up from INR 48 crores for the same quarter last year. Our PBT on a fully consolidated basis is up 11% from INR 3.2 crores last year to INR 3.6 crores. And our PAT was down marginally from INR 1.2 crores last year to INR 1.1 crores. The consolidated numbers reflect the impact of the consolidation of the Rivigo acquisition. And given the impact of that, let me also share the numbers for the business without the impact of the acquisition.

Without the impact of the MESPL Rivigo acquisition, revenue for Q3 F '23 on an organic basis increased by 13% on a year-on-year basis to INR 1,285 crores. Gross margin on a fully consolidated basis stood at 10.5% in Q3 F '23 compared to 9% for the same quarter last year. Our EBITDA for the quarter stood at INR 77.2 crores, up from INR 48.2 crores in Q3 F '22, up 60% on a year-on-year basis. PBT on a fully consolidated basis is up 4.5x from INR 3.2 crores last year to INR 17.9 crores for the quarter just gone by. Our PAT, without considering the impact of the acquisition, was up from INR 1.2 crores to INR 12.1 crores for the quarter just gone by.

As you move forward, our focus strategically remains the same. We are focused on long-term growth and scale across all our businesses and driving together a stronger portfolio of technology-enabled integrated logistics capabilities which will strengthen our 3PL business, diversify our service lines across freight forwarding, B2B express and last-mile delivery, and involves reimagining the way we deliver mobility services.

In the short term, , I think given that we are in a volatile environment, we are extremely focused on the cost improvement perspective. A key area of focus remains the speed of integration and optimization of our B2B express business. With that, let me open the floor for questions and answers.

**Moderator:** The first question is from the line of Amit Dixit from ICICI Securities.

**Amit Dixit:** Hi, Good Eveuing everyone and thanks for taking my questions, I have 2 questions. The first one is essentially Rivigo's contribution. Looks

like it contributed negative INR 8.5 crores of EBITDA in this quarter. How do we see it improving ahead? I know you said that the network services would get in a positive trajectory by H1 of FY '24. But particularly talking about Rivigo, how do we see Rivigo's EBITDA scaling up maybe in the next quarter or H1 FY '24? If you can throw some light on this.

**Rampraveen Swaminathan:** Amit, Thanks for joining. You want to ask both of your questions? I'll answer both of them together.

**Amit Dixit:** The second question is essential, if we look at other expenses, it increased sharply. Maybe there is some integration, onetime introduction expenses also built in. If there are some onetime expenses, is it possible to quantify them? And why our interest cost also pushed up significantly this quarter? And what the normalized level could be?

**Rampraveen Swaminathan:** Okay. So I'll take the first one and ask Yogesh to just answer the second one, Amit. So in terms of the Rivigo acquisition, I think, as we had said earlier as well, I think we've acquired a business which is approximately a run rate around INR 350 crores of annualized revenue on LTM basis. Prior to this had our own express business, which was a little bit around INR 150 crores to INR 160 crores in terms of annualized revenue. How we see this playing out in the next couple of quarters, and our goal is to reach a positive EBITDA by the end of the first half of the coming year. It's really by focus on 4 things.

The first one is on driving consolidation in the network.Obviously, by combining both the networks and the volumes of both the networks together, we expect to be able to drive far-greater throughput across the entire network, which should reduce our cost per ton from an operating cost perspective. The second lever is driving far greater consolidation on the transportation side With the combination of the volumes and the redesign of the network, we expect to be able to reduce our line-haul costs while maintaining or improving service levels and also drive better optimization of feeder, pickup and delivery routes for our customers.

That's the second big lever of optimization, which will drive a substantial amount of the cost per kilo level. The network cost of operating the network sites and the processing centers and hubs and the transportation costs on line-haul and feeder is approximately 90%-95% of the variable cost per kilo. That's where we see significant levers for improvement, especially driven by the fact that we are combining a substantial amount of volume in a very short period of time.

The 2 other levers of improvement. One is in driving a lot of productivity improvement. This comes with a strong technology stack, which we think if well-deployed would allow us to drive operating productivity quite significantly across the board. Lastly, we are looking at driving far better optimization utilization at an overhead level as the business becomes part of a much larger business and that's the operating model we have at MLL for all our business segments. So, collectively, we think that we will be able to bring down that EBITDA gap which is there, right. And by H1 F '24, we should be able to see that getting normalized.

From a longer-term perspective, beyond the short-term issue of the kind of coming out of the hole, if you mean, I think the long-term opportunity on express and part truckload remains fairly significant. And the Amazon segment is growing at medium to double digits, right. So we do expect it to have medium to mid-teens. We do expect it to grow a mid-teen or high-teen gross margin level as a business and therefore, we expect that it will be fairly significant at a segment level alone for the business.

In addition, it also allows us to integrate express along with the rest of our offerings as we try to build end-to-end and integrated solutions for our clients. So that I think is a runway, Amit. And obviously I will share a little more detail probably on a more specific conversation. As far as the second question about your interest costs and other expenses, I'm just going to hand it over to Yogesh to try and take that.

**Yogesh Patel:** Hi, Amit, on other income, what you mentioned on a consol basis we concluded the assessment of one of the years from the income tax authorities and that kind of earned us the assessment order, which includes refund and interest thereon. So that interest has been accounted for in the quarter gone by. So that's kind of an additional amount, which is INR 2.6 crores. This, just to mention, is the amount of interest accrued till the date of the assessment order. So we are yet to receive the refund in absolute terms.

So the interest up to the date of refund when we receive it would have to come in, in the next quarter or as we receive the money as well. In terms of expenses, there aren't any significantly different one-timers to be called out separately other than smaller expenses or the expenses coming with respect to closing of the acquisition transaction would have been there.

**Amit Dixit:** This is what we can consider the normalized rate now, the other expenses that you have reported in this quarter?

**Yogesh Patel:** That would be appropriate.

**Rampraveen Swaminathan:** Yes.

**Amit Dixit:** What about interest cost? It also flourished in this quarter. Does it have to do with the increase in working capital or the acquisition related debt you might have taken or something like that?

**Yogesh Patel:** Yes, Amit. the acquisition we did for express business was made with cash disbursement. So there, borrowing was done for the entire consideration of what we paid. So that adds to the borrowing. And the interest cost for that comes into consol as well.

**Rampraveen Swaminathan:** Amit if you see the investor deck you will see the interest costs are up from INR 1 crores in the same quarter last year, from INR 6 crores the quarter just by. All that increase is just on account of the debt we borrow, the leverage is added to the balance sheet to fund the acquisition from Rivigo.

**Amit Dixit:** Okay. This would be the peak debt level? and from here, we will see interest costs gradually going down as you plan to pay the debt?

**Rampraveen Swaminathan:** From an operating basis, I think there's been no real significant change from a working capital perspective, apart from seasonal changes. It is a festive season, so normally it's a more back-ended season, Amit, and therefore we do have slightly higher working capital in this, but that's something which is the nature of the business

**Amit Dixit:** Thank you for the elaborate answer and all the best.

**Moderator:** The next question is from the line of Alok Deora from Motilal Oswal.

**Alok Deora:** Sir, just had a couple of questions, first on Rivigo. So this INR 45 crores revenue, which we have booked, that would be for how much period during the quarter? Or it's like for the entire quarter?

**Rampraveen Swaminathan:** Alok, that's approximately 6 weeks of revenue, 1.5 months. A little bit more, but roughly in that range.

**Alok Deora:** Okay. So if we annualize it is nearly around INR 360 crores, is it?

**Rampraveen Swaminathan:** Yes, so I think on a LTM basis, I won't do a going a forward-looking annualized annual number, but on an LTM basis it's in the INR 350 crores, INR 360 crores range.

**Alok Deora:** Okay. Because when we acquired it, we had given some data that it's making revenue of nearly INR 370-odd crores. So it's kind of not growing on a Y-o-Y basis.

**Rampraveen Swaminathan:** No, it's in that range. we acquired the company, and so they have not been really in a growth state in the last 12 months, and therefore we value the business on that basis and the revenue is in a range of INR 360 crores, INR 370 crores. We acquired the business and we have a combined business between both of around INR 550 crores and that's roughly where our overall business is. I think even now when you adjust for some seasonality and if you adjust for seasonality, it's roughly in that range.

**Alok Deora:** Sure also the EBITDA margin or review of the numbers which we have reported in Rivigo, that may be an EBITDA loss of 20% or so. So at least in the fourth quarter, that should kind of continue or it could start improving from the fourth quarter itself?

**Rampraveen Swaminathan:** Alok, we don't give guidance in general, but over the next couple of quarters, we should start seeing a strong improvement. I think our focus in the first 90 days has been to ensure that we are keeping the network operating smoothly. As you know in the past, there have been customer concerns around the transitions itself. So a big focus is ensuring that the transition is all smoot. and we accomplished more than 90% plus. In the lead up to the acquisition, there were some challenges around service levels. So that's something we are focused on correcting. So first 90 days have been about ensuring that and onboarding the Rivigo organization into the MLL family. I think that is now past and we are now in the process of implementing optimization. So it's hard for me to timestamp a monthly view on that, but I would say over the next 18 to 24 weeks, obviously we should start seeing strong amount of these improvements coming.

**Alok Deora:** Sure. So, no, the reason I was just asking is because we have seen other similar businesses like that are also looking at significant restructuring, like if we see Gati or if we see Spoton. So just wanted to understand how -- whether we could also face some challenges here, where we are currently doing 20% EBITDA loss, and we are looking to move into a breakeven zone. So could that take slightly longer than what we anticipate?

**Rampraveen Swaminathan:** No, I think the company, we acquired it by design at this level, I would say, Alok, for lack of any other word. So this is an anticipated thing. But we have a very clear and structured plan to get it back, not just to break even, to actually grow it beyond that. And we are pretty confident as things stand we are bang on track. Obviously one can never predict everything, but we are bang on track to delivering what we had given earlier as an indication and what we continue to hold now.

**Alok Deora:** Sure, Just last question. So the interest cost, it's including the lease, it's around INR 15 crores for this quarter. So going forward, this run rate could continue for some quarters or increase? Or just some last question on that.

**Rampraveen Swaminathan:** So, very similar to what I told Amit earlier. We expect this on an organic basis to be roughly in this range. This should be the peak. There will be some bumping around based on seasonal working capital issues. But by and large, we expect it to be in this range on an organic basis. And should start coming down over time, though we don't have specific guidance on that.

**Alok Deora:** Got it, Thank you so much, I will come back in the queue for more.

**Moderator:** The next question is from the line of Vikram Suryavanshi from PhillipCapital.

**Vikram Suryavanshi:** Good Evening Sir, Non-Mahindra growth particularly if we look at warehousing growth has been a bit muted this quarter. So can you explain on that side?

**Rampraveen Swaminathan:** Vikram, I think if you see from our slides, our revenue from non-M&M supply chain did show a marginal decline in the quarterand I think it's down, if I remember right, around 2% on a year-on-year basis for the quarter. I think a substantial part of that has come from 2 big sources. One obviously was a sharp reduction in the freight-forwarding business as we said earlier on. If you look at that, I think that decline is mainly because of pricing correction.

Index for that, obviously, we had growth, Freight-forwarding revenues were down by nearly INR 64 crores on a year-on-year basis. So adjusted for that, I think you'll actually see that the business grew. That said, even adjusting for that, it is of the high-teens growth which we have generally maintained in the last few years. I think that's just a reflection of some of the slowdown which I spoke about on e-commerce and some of our other markets. I think we have seen strong upticks in the automotive and the manufacturing end of the business. I

spoke about some of the acquisitions earlier on and so I think we will see this getting reset somewhere in the second half of the first quarter and some of the -- of next year as some of these new projects get implemented.

**Vikram Suryavanshi:** If you look at Lords or particularly express side of the business, obviously we have seen a sharp correction in container freight rates and all that has impacted. But do you need to factor in some volume growth? Is there pressure on pricing also or, sorry, profitability also. Is it seeing that impact on the global slowdown in competitive environment of unit pricing or something?

**Rampraveen Swaminathan:** The forwarding business has seen a pricing correction, and there are some consequential challenges on that. We have been able to get back to volume growth I think on everything except -- on most of our segments, especially on air, import and export and the the ocean import side, , I think we are back to getting strong volume growth. And therefore, that volume growth is what will start covering our recovery back.

And we should see that scaling up over the next coming quarters. But just as a reminder, if you look back over the last 3 years, despite this correction, our forwarding business is still growing north of 20%, 22% on a 3-year CAGR. So this is a correction, but we think volume growth will offset for that. From a pricing perspective, while there are obviously practical issues around it. I think if you actually see our percentage gross margin level in the freight-forwarding business has actually marginally improved on a year-on-year basis despite the pricing correction. And that's a reflection of the balanced mix we have. We've invested in growing some new lanes. It's also a function of the commercial policy and the solution capabilities we provide our clients. And I don't expect that to see a significant impact despite this price correction.

**Vikram Suryavanshi:** Okay got it, thank you everyone.

**Moderator:** The next question is from the line of Sumit Kishore from Axis Capital.

**Sumit Kishore:** My first question is on the last-mile business. When will Whizzard be consolidated on a line-by-line basis? Will that start happening next fiscal onwards? And how does that make gross margins look for last-mile? And what would be the glide part there? Also the impact it would have on depreciation, has gone up as it is with the Rivigo acquisition.

**Rampraveen Swaminathan:** Sumit, I hope you are well. So the Whizzard business, we have the window to take majority, I think, through the third quarter of next financial year. And we are evaluating the timing of that, the most appropriate timing of it. So I don't think we have fixed a timing on it. We do have the option to exercise that choice by the end of the third quarter and as things stand right now, I think we are inclined favorably towards exercising that option, but we have not chosen a timing for it because we feel strongly about the -- positively about the capabilities it adds to our business.

On a consolidated level, I think the Whizzard business has similar gross margins as the last-mile, the rest of our last-mile business., the service offerings are more driven towards micro-fulfillment and nonlarge or small pack delivery compared to our existing last-mile delivery business, which has a balance more towards grocery and larger products. But net-nethe gross margin levels are roughly in the same range. I think from a glide path perspective, Sumit, as we have mentioned earlier, our focus on last-mile is 2 things. One is, we do want to ensure that we are investing in parts of the business where we have a clear note or a differentiation.

That's something which we think comes through value-added services to specific product lines and through electrified last-mile delivery. And we are continuing to probably focus on driving that growth. It is not a revenue-driven approach. And we've clarified that earlier as well, that we are not in a revenue-driven approach in the segment. So maintaining the balance on gross margin I think is important. From a long-term perspective, we think the gross margin potential of the business is around 6% to 8%, which we think at the right scale actually will be accretive to the business. As things stand, our business does

not have a dramatic increment to Whizzard business, and does not have a dramatic incremental impact on the depreciation profile of the company.

**Sumit Kishore:** 6% to 8% is the gross margin, from 2.7% in the first 9 months of the fiscal for the last-mile business.

**Rampraveen Swaminathan:** That is what we think is medium to long-term view of what the business can create.

**Sumit Kishore:** So more from a FY '26 timeframe, sir.

**Rampraveen Swaminathan:** Yes our last-mile business is roughly around, I think around 4% in the quarter we just went by from a gross margin perspective.

**Sumit Kishore:** Yes. I was looking at the first 9 months, you mentioned that the glide path for the MLL express business is more like mid-teens, if I heard correctly, on gross margin, which is significantly better where your margins are for the 3PL business and freight forwarding at 11% and 10%, respectively. So is that right? And again, what timeframe are we looking at for that improvement to happen because maybe the next year, the focus will be on getting the cost optimization and the turnaround, right?

**Rampraveen Swaminathan:** Yes, so Sumit, I think everything you said is right. Usually, the target next to the focus is on cost optimization and turnaround, I think, on the scaling of the business. I think scale is very fundamental to be able to create that leverage on the express business. I think we have a very well-developed network, not just in terms of pin code delivered, et cetera, but also in terms of the retail network, right, and the sales capability that the network build. So I think once we get the short-term optimization done, I think the focus will be on scaling up the business.

And the thesis, as we have said, we will be able to get to a mid-teen gross margin, which is consistent with general comps in the industry, right, and therefore the exact timing for it, Sumit, I'm not going to give

guidance on a specific time for it. But obviously, that's the medium-term outlook on what we are trying to accomplish.

**Sumit Kishore:** Sure, done with my questions, thank you.

**Moderator:** The next question is from the line of Krupashankar Nj from Avendus Spark.

**Krupashankar Nj:** Two questions from my side. First on the warehousing bit. What we have seen is that while the space addition has gone up, you're seeing the yield per square feet has also come off. And just wanted to understand if it's just a timing issue when most of the capacities, are they towards the end of the quarter? Or is there anything more? And the second part is, traditionally, this business has been growing at 25% to 30%, while last 2 quarters you're seeing that the growth has tapered down. So just wanted to check if you're expecting that this growth rate will jump back again to 25% or are we seeing the new, the growth rate is given softness in overall macroeconomy.

**Rampraveen Swaminathan:** Krupa, I hope you are well. So, as far as the warehousing piece is concerned, Revenue was down marginally with continued capacity additions. I think a couple of elements there, Krupa. a fair amount of the capacity addition came at the end of the period and I think if you look at our notes to the slides, I think you will find there that the total space which is reflected here includes facilities which have been finished construction, have been given to us but have not been leased yet to customers because they are in a, what we call a fit-out phase.

And therefore there is that impact of it which is there. I think the other part which is an impact of it, Krupa, is that obviously in the third quarter of the year we generally see seasonally pop-ups and pop-up facilities coming in, or 10 facilities coming in. You would recall since we've been engaged for several years now that, that has always been a bump up every year. I mean, as I mentioned earlier on in my opening comments, I think this year, given some of the network consolidations, we have just not seen that kind of pickup. Now that volume that comes

on a pop-up or tenth site normally doesn't get accounted for in our space under management because it's a temporary site.

And therefore, that creates an illusion of higher or lower yields depending on how that number turns out. In the past, at times, Krupa, it has made our dues look a little bit sharply higher, and we have clarified that earlier as well. This quarter, obviously, with that not happening, we've seen last year's INR 272 crores of revenue had more pop-ups, if you may. This year obviously we've not seen that, and that's been the thing which has affected yields. I think as an asset-light company, one of the things which we believe is very important for us and we believe is a strength of us is the ability to manage capacity with agility.

Clearly, as I mentioned in my opening comments, we have been seeing that slowdown as networks have been consolidating over the last couple of quarters. And in response to that, we've been pushing back and rationalizing the pace of our additions as well, right. And we have seen that as well, that the additions have also come down a little bit. I think it's largely a reflection of that environmental or external factors because of demand. But from a longer-term perceive, Krupa, we do expect that that will come back. I think what we've said earlier, we'll add 2.5 million, 3 million square feet a year.

I think that's something we are committed to doing. And we are even, I think this year compared to last year exit, I think if you look, our exit of F '22, which was on 13.4 million, we are up at around 15.4 million, which is roughly 2 million square feet, in that range. So that pace should continue, Krupa. there will be some cyclical adjustments to it. But from a strategic execution perspective, that remains the focus.

**Krupashankar Nj:** Great, Ram. But one clarification. So typically when the stockyard's space comes down, the average revenue per square feet goes up and you have not seen that happening this time. In fact, the decline has been quite steep at around 8%. So that's where broadly my question was, so?

**Rampraveen Swaminathan:** Most of that has been pop-up impact. We're not seeing yields come down. Right. So most of that has been the impact of the pop-up because typically in Q3, we see Q4 generally solutions and warehousing revenue, Krupa, is lesser than Q3 in every year. That's mostly because the pop-ups go away. The pop-ups come in Q3 and go away at the end of Q3. And therefore, in Q3, we see a kind of bump up in yield. But that's large because the numerator includes the revenue, but the denominator does not include the pop-up impact.

**Krupashankar Nj:** Understood. One more question on the freight-forwarding side. While I do understand that you have taken a lot of measures to sustain the profitability in the freight-forwarding segment. Now last 2 years have been quite rewarding with respect to that operation. And now you're slowly seeing things coming back to normal. Typically we used to do about 1% to 2% EBITDA margins in lords freight. And based on what you have brought forward, I think some expansion is likely. But given that the space is quite intensive on a competition basis, are you see that margins will sustain at 4% or so? Or is it likelihood that it can revert to the historical levels?

**Rampraveen Swaminathan:** Yes, we don't expect that I think margins will come down to that historical level. I think compared to the past, in 2019-'20, for example, I think gross margins have expanded from around 9.5%, 9.7% in 2019-'20 to nearly 11% now,. So in that sense, we expect to hold that percentage margin benefit. We have to get the volume back because part of it is fixed cost absorption, and, on a lower scale, that will have a negative impact. But broadly, to answer your question, I think we don't expect it to go down to 1%, 1.5%.

And the focus is to get the volume back, which we are optimistic about doing over the next couple of quarters. I think, as I mentioned earlier, 3 years ago, I think what we mentioned was that we could have said was that we expect the forwarding business to grow at 20% a year on a mid-cycle basis, in a mid-cycle perspective, I think. And we are at that CAGR right now as well. So despite the sharp increase and adjustment downwards, we still expect to maintain that broader

momentum. We don't expect margins to come down to that 1% level, Krupa. It will hold around where we are today.

**Krupashankar Nj:** Sure, thank you so much and all the best,

**Moderator:** The next question is from the line of Damodaran from Acuitas Capital.

**Damodaran:** Just 2 questions from my side, one on margins. The core 3PL business has seen margin improvements, and you have called out a few factors in your opening -- I mean, the press release. So, I just wanted to check whether this has some mixed component. I mean, your e-commerce business, I'm assuming would have lower margins? that has contributed because the share of e-commerce seems to have dipped? Has that contributed to margin improvement? That's one question. And the second is a bookkeeping question on unallocable expenses, which seems to have gone to 0 in the third quarter. So what's happening there on that? So those are my 2 questions.

**Rampraveen Swaminathan:** Sure, Damodaran. I'll take the first one. I'll have our bookkeeper answer the bookkeeping question. But on the first part of it, I think it's not been specifically segment. In fact, I think as we have mentioned earlier on, this was a softer quarter in terms of warehousing and solutions. And in terms of non-M&M SCM revenues, which we have a higher percentage of warehousing and solutions.

So frankly, if our volume is not a bit on the lower side, we would have come at even a better margin than what we had projected here if our e-comm and other segments do not have some of the slowness which we saw in the quarter. So definitely, I think that slowness we saw has been negative to our margin, right. It has not been positive on our margins, right. So that's one. I think where the margin expansion on the core 3PL has come has been around execution.

I think what we've said the last couple of quarters has been that, last 3 quarters, has been that we are focusing on improving margins through productivity and other measures in the warehousing and the solutions end of the business. And that's something that has started playing out

as well. I think and combining that with a more flattening or leveling of the depreciation side, so the AS 116 charge will start flattening out, we should see the full flow-through of those improvements coming. But it's not been -- it's being productivity and not mix. If the mix had been more towards non-M&M, I think margins would have been higher because that would have been more warehousing and solutions and less transportation.

**Damodaran:** So any further scope for improvement from these levels? I mean, once the e-com business sort of revised?

**Rampraveen Swaminathan:** So, Damodaran, what we have consistently said is that on a medium to long-term basis, we expect that we will continue to improve gross margins by 25 to 50 basis points every year, and that's something remains our focus. We are driven more by the offering rather than the segment. So really it's about transportation, or transportation to FTL, distribution, car carriers, right, those warehousing fulfillment. That mix is actually what drives our margins rather than e-commerce or automotive or M&M and non-M&M. So that diversification remains, is something we'll continue to focus on.

I think the broader diversifications have been important because if you go back to FY'19-'20, when we had a decline, a sharp decline in automotive in the second half of the year, we saw a very sharp decline in our overall business. Today, what we've been able to accomplish is even as some of these segments move around, right, unless you have a perfect storm event, right, the fact that some of these have a broader diversification allows us to pick in some segments even if we see softness in others. And because our margins are driven more by offering rather than segment, I think we should be able to drive that consistency in the business, right? As far as the question on the unallocatable expenses, let me just hand it over to Yogesh who can explain the books issue well.

**Yogesh Patel:** Damodaran, in the quarter gone by, we had at the beginning of the quarter, as of 1st October itself, had transferred our enterprise mobility

business into a subsidiary which is MLL Mobility Private Limited which housed the mobility business which we had acquired earlier in the financial year as well. With that transfer, the standalone entity now has only the supply chain business in it.

And hence the results what you see here. So, the mobility business contained the mobility entity has the entire mobility segment result. The other entity has the supply chain segment. So, from that perspective, what you see today in segment results is straightaway the profit before tax number. And hence, there is no allocation of cost applicable.

I mean respective entities have the respective segment numbers already over there. That's why you see those numbers not being there in the unallocatable expense. But if you see the initial 2a and 2b, that would have factored for it.

**Damodaran:** Yes, yes, so this will sort of continue, yes, yes.

**Yogesh Patel:** Yes, yes.

**Rampraveen Swaminathan:** So the structure is, Damodaran, if I just add to what Yogesh said, I think we've said earlier that the corporate structure we are following MLL largely increasingly has a 3PL business and the holdco itself. And so we have been timing better acceptability at a corporate structure level to ensure that businesses are more self-contained sharply. And therefore, I think you're going to see lesser of those unallocatable expenses in general.

**Damodaran:** Yes correct, thank you so much.

**Moderator:** The next question is from the line of Pranay Roop Chatterjee from BCMPL.

**Pranay Roop Chatterjee:** So I have 3 quick questions. The first one is for Yogesh. Yogesh, this question has been asked twice already, I'll ask it in a slightly different matter. The other expenses, interest, and depreciation have increased and it's clear why. My question is, in my understanding, 1.5 months of

other expenses, interest, and depreciation have been considered for the Rivigo. So probably the real normalized level of other expense and depreciation, which is the full 3 months impact would only come in Q4, which would be slightly higher. Is that understanding correct?

**Yogesh Patel:** So on the interest piece, you would have that right from a drawdown we would have done it closer to the time when we closed the transaction, which was early November. But aside that, I think, I mean there isn't much on the depreciation piece which Ram explained also in our conversation because these are asset-light businesses. So I mean, it would be by far similar run rate itself.

**Pranay Roop Chatterjee:** Second question on freight-forwarding. Most of my questions were answered, so I'll just quickly check. Ram, how is the price moving in January versus December, if you were to say, do you see it bottoming out? Or how do you see it moving? And same question on volumes.

**Rampraveen Swaminathan:** Yes. so price is still soft. I would say normally, if I just summarize it across the bellwether lane, I would probably say it's flat to downward margin, right. Not sharply, but marginally it's bobbling around the place, right, different by lane, by capacity, so. But generally, I would say overall neutral to negative, neutral to marginally negative.

The volume is good. Volume has been growing. I think we are continuing to see good growth, I would say, on the air side as well as the ocean import side. I think export side is seeing some softness because of the global slowdown, , especially in the US. And the US markets are seeing some of that slowdown impact. But on the imports, there I think it's been positive despite, I would say, a fairly muted - generally.

What we have not seen on the -- what I would say we have not seen is that big pre-Chinese New Year burst, which we typically see every year. We could have seen this big pre-Chinese New Year kind of inventory addition which lot of people tend to do. While that has been absent, I think on a sequential basis volume has been positive. Price is, as I said, a little bit neutral to negative.

**Pranay Roop Chatterjee:** And the last question is on, express business. And 2 parts of it. One is a number question and one is the strategic question. When you say mid-teen gross margin, so when I've seen some of the other businesses, Safeexpress and some of the other guys, broadly it's around high 20s gross margin and low- to mid-teens EBITDA margin. So when you say teens gross margin, are you calculating gross margin the same as they do or is it like more costs are taken above gross margin? So that is one.

That is how it's calculated. And number 2, a key driver for you to improve that cost per kilo in the express is increasing volumes coupled with network consolidation. But on the volume piece, right, the overall market is not growing that well. And you also said that it's looking down and you expect to pick up in the next festive season. So in an environment where the market is not growing, how do you plan to get that incremental volume so that you can drive that optimization?

**Rampraveen Swaminathan:** Super. All right, thanks. Yes, maybe I can answer both of them. The first question, unfortunately, I'm not very capable of answering how our numbers, how we calculate versus some of the others in the industry because I would be fairly ignorant about the specifics of how they compute cost elements. I think what we can say is that we are have used gross margin definitions the way we use it across our business, which includes all the direct costs. And it conduces the leverage of what is fundamentally an asset-light model structure, which is the way we expect to deploy this business as well. All right, so that's one thing. As far as how we're going to get volume growth, I think let me paraphrase what I probably said earlier as well, Pranay. First one I think is we've had 2 networks which are, I think, we had our network in MLL. Then we acquired the network of Rivigo to MESPL. Both these networks are fundamentally subscale. So, combining those networks in terms of volume, right, is creating a network at a much larger scale. And we will see the cost benefits of that scale coming through. Whether that's the footprint of the network, whether it's the cost efficiency of our line-haul or our feeder lanes, which are the things which I told earlier on, right? And therefore, you are right, volume will play, but there is a big bump up of scale just by

combining the volumes of both the business and operating them on 1 network. So that's one of the fundamental drivers, Pranay, for improving margins. In terms of broader growth beyond that, I think it's a great question, markets are volatile. So, I think this is where the power of our integrated portfolio comes in.

So, one, I think we have a large part of our customers in the 3PL, in freight-forwarding, et cetera, where these customers are buying multiple services. But we often have not been able to serve them because we've not had a comprehensive-enough offering. If you go back to 2, 3 years ago, one of the things which I also feel, who looks after the freight-forwarding business used to be, so how are we going to grow the forwarding business. And we said the same thing. We said we have common customers. And one of the things, we expect to be a catalyst, is our ability to go to commerce, to customers who buy multiple services and gain a share of wallet with them.

So that's something which we expect to be able to do in the express business as well. The second piece which I think is favorable for us is the fact that with the MESPL acquisition, we get a significant retail network. And that retail network differentiates us, I think, from many other businesses, many other players in the industry with a far deeper upcountry presence and better pricing capability there as well. So through the acquisition, I think the first 60 days we've done to retain all those partners and grow some of them.

And therefore, that's the second piece that I think will allow us to get deeper coverage, especially as Indian manufacturing kind of rebounds in deeper locations. So both of those are what we think will drive the growth, right? But there's a fundamental step-up, which is nonlinear, by combining those networks and then a more linear growth which comes because of coverage, the share of wallet and so on.

**Pranay Roop Chatterjee:** Thanks so much.

**Moderator:** The next question is from the line of Teena from Kotak Institutional Equities.

**Teena:** My question is more towards achieving the previous cycle PAT margin run rate, like company went from '14- '15 onwards till 2019, it used to make around 2% kind of PAT margin. Now when can we reach that level going ahead taking into account this Rivigo acquisition also because this Rivigo will be ultimately adding mid-teens kind of gross margin? But what kind of PAT margins would Rivigo be adding over to this once the cost optimization and network optimization are over? So where does Rivigo fits into this entire picture of moving towards improved PAT margin going forward from the company?

**Rampraveen Swaminathan:** Thanks, Teena. So, I think to go back -- I'm going to frame it the best I can. And of course, you should -- but if you go back to the history and just go back, let's say, 2018-'19 which is our peak year in terms of profitability, the first full year after IPO, I think, around 2%. And if we split that, I think around 1.7%, 1.8% on the 3PL side of the business, and around 2.5% on the mobility side of the business. And then there are some other income and a few other things which were- additive to the earnings.

If you look at where we are today, we are just not a 3PL -- the context of our business is very different today, right? So roughly 2/3 or 70% of that is 3PL. And that's roughly at that, either the 1.5%-ish margin. So, we have some distance to go. We think that will mature over the next 3, 4 years at roughly 2%, right, And that's something which we believe we are confident we will be able to get to. The network services businesses at scale should come in at higher levels of margins, especially on freight-forwarding and express.

I think on the last mile, we'll still probably be at lower than 1%, 1.5% kind of margin. But on the other businesses, we are expected to be at 3% to 4% margins on the freight-forwarding and the express business. The forwarding business is already roughly in that range, though right at the lower end of that range. But the express business, through the turnaround and the scale up, should be able to get there.

I think the mobility business has been a bit more challenging because the recovery speed has been macro-driven there. I think to post the pandemic we have still not seen a large-scale return to work on the enterprise side. And there is still scaling of the B2C side, which we acquired through Meru. So I think that one's a little bit harder to frame exactly a time window on it.

But the other part of it, I think, as I said earlier, in that 3-year, 3- to 4-year window, we expect to be able to get to that type of range. Now I won't say that as a guidance, but that is ind of the aspiration, the goal we are trying to execute. Specifically on the express business, I think F '24 is going to be a year of turnaround and consolidation. And I think F '25 onwards is going to be the period for earnings acceleration.

**Teena:** So F '24 till 1H, there may not be a significant improvement at the PAT margin level even from the Rivigo. And post 1H…

**Rampraveen Swaminathan:** Yes, you're right. I think F '24, we are going to be focused on breakeven into the business. As I mentioned earlier, we expect to be EBITDA positive in H1, by the end of H1. And we will try and end the year at a breakeven level overall. And F '25 onwards is where we will see the earnings acceleration. And that's the way we plan the…

**Teena:** So breakeven at the EBITDA level of breakeven at the PAT level?

**Rampraveen Swaminathan:** Breakeven at PAT level, right, hopefully, by the end of the year, right. But F '25 is when you see the acceleration from, right. And that's the way we set up the transaction, right. I think we acquired the company at 0.6 revenue, which is a substantial discount to most comps because we plan to do the work of turning it around and fixing up some margin issues.

**Teena:** My second question is related to the current quarter's weak margins in the PTS business. So any specific reason why the margin is so weak in the PTS business in this quarter?

**Rampraveen Swaminathan:** Yes, so I think the enterprise mobility piece, I think margins were, I'm not sure how to refer to because I think gross margin was up marginally from 10.9% to 11.2%. Yes, of course, that reflects a combined mobility business. it's not just PTS or enterprise, it's Alyte plus Meru. But the combined business had 6% growth in revenue and 9% growth at a gross margin level. It did slow down compared to the full year. Obviously, on a full year basis revenue are up 16%, gross margin is up 34%. So a bit of a slowdown compared to the first half of the year, but it was not a reduction or decline.

**Teena:** So there were, the segment profit was around minus 24 million, basically a loss of 24 million for the PTS business for 3Q and revenues were around 650, this is what I was referring to. So this translates into the segment profit margins of minus 3.7% for the PTS business.

**Rampraveen Swaminathan:** We'll just look into this and come back. I don't know, Yogesh, do you have anything to add?

**Yogesh Patel:** What you are referring to is the PBT numbers and what Ram just now explained was gross margin, so.

**Teena:** Yes, gross margin, right, right. So any specific reason that it contributed, despite having a decent gross margin, the PBT margins were negative?

**Yogesh Patel:** So once you get down to PBT, it's a matter of what absolute gross margins generate and the absorption of overheads, depreciation and financing costs generally. I mean, the mobility business per se, since the time COVID had hit, had shrunk drastically in volume because our mainstay business of office movement had shrunk. So that's kind of gradually coming back. I mean it's not yet to the levels which we -- that's reflective in the total number as well. I mean mobility business for us was 10% of our consol numbers, whereas as of quarter gone by also it means been 5%. But the absolute business volume is, really muted. The absorption there remains muted and hence at the PBT level you see the impact.

**Rampraveen Swaminathan:** Teena just to add, I think compared to last year when the PAT was minus 21% is around INR 4 crores. I think this year the third quarter start is around minus 4%, reflecting optimum operational improvement and consolidation because last year was only the Meru many businesses, this year -- and the Alyte business. And in terms of -- going-forward outlook, which are going-forward look at things, probably the more interesting one, I think it's a combination of 2 things. I think, Teena, one is we're expecting volume throughput to continue. And that is one thing that will drive/lever growth. Second thing, as Yogesh said, is that obviously, you have the impact of depreciation, etc. because we have our fleet. We have around 350 to 400 vehicles. And as that depreciation starts tailing off, we should see that getting positive as well.

**Teena:** Some impact maybe because of Alyte inclusion also in this?

**Rampraveen Swaminathan:** Yes. I mean, the Alyte business is pretty accretive to the transaction, by combining both because the enterprise mobility business has been more profitable than the Meru business, the mobility -- the Meru business. By combining both of those, we have a combination synergy, but then we're also driving operating synergies there in terms of vehicle utilization and so on.

**Teena:** Sure Sir, Thank you, that’s it from my side.

**Moderator:** Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to the management for closing comments.

**Rampraveen Swaminathan:** All right. Thank you, everyone. I hope we've been able to answer all your questions satisfactorily. However, if you do need further clarifications or want to know more about the company, please contact our Investor Relations team or SGA, our investor relations advisors. Thank you once again for taking the time to join us today on the call. Thank you.

**Moderator:** Thank you. On behalf of Mahindra Logistics Limited, that concludes the conference. Thank you for joining us. You may now disconnect your lines

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